

**Purpose:**

To clarify which military personnel are required to file Illinois Individual Income Tax returns and how military personnel should file in Illinois

Objectives:

- To explain if military personnel are Illinois residents
- To explain what military income is taxed in Illinois
- To explain how resident, part-year resident, and nonresident military personnel must file an Illinois return

How do I determine if I am an Illinois resident?

You are an Illinois resident if you reside in Illinois or have a legal domicile in Illinois but are absent for a temporary purpose during the entire tax year.

A domicile is the place where you reside and the place where you intend to return after temporary absence. Temporary absence includes performing active duty in the armed forces while being stationed outside the state, even for considerable periods of time.

How do I determine if I am a part-year resident of Illinois?

If you are an Illinois resident for any part of the tax year, you will be considered a part-year resident. For example, if you changed your domicile to a location within Illinois during the tax year, you are a part-year resident of Illinois.

How do I determine if I am a nonresident of Illinois?

You are a nonresident of Illinois if you are a member of the armed forces, have a domicile in another state, and are stationed in Illinois on a temporary basis. You do not necessarily become an Illinois resident when you report for

duty at an Illinois location. You have the option of remaining a nonresident for Illinois purposes if you have a domicile in another state.

The “12-month” rule...

If, as an Illinois resident, you

- have been stationed outside Illinois for the entire tax year, and
- do not earn income subject to Illinois tax,

you are considered a nonresident for Illinois tax purposes.

There is no simple formula to determine if you are an Illinois resident or a nonresident. If you have questions about your residency, please call, e-mail, or write us using the telephone numbers and addresses listed at the end of this publication.

What if I am an Illinois resident, but my spouse is a non-resident or part-year resident?

If you are filing a joint federal return and one spouse is an Illinois resident while the other is a part-year resident or a nonresident (e.g., military personnel), you may choose to file “married filing separately.” In this case, each spouse must determine income and exemptions as if he or she had filed separate federal returns. You **may not** subtract your spouse’s out-of-state income on your Form IL-1040.

If you choose to file a joint return, this election is irrevocable for the tax year (after the six-month automatic extension date for filing the return has passed). **Both spouses** will be treated as residents, and all income will be allocated to Illinois. You may be allowed a credit for income tax paid to another state on Schedule CR, Credit for Tax Paid to Other States.

What military pay may I subtract?

You may subtract pay for

- duty in the armed forces, including basic training;
- duty for serving in the U.S. Armed Forces Reserves or an Illinois National Guard unit, including ROTC; and
- duty as a cadet at the U.S. Military, Air Force, and Coast Guard academies or as a midshipman at the U.S. Naval Academy.

What military pay may I not subtract?

You may not subtract military income (certain combat pay) that you excluded from your adjusted gross income, Line 1.

You may **not** subtract

- pay you received under the Voluntary Separation Incentive;
- pay you received from the military as a civilian;
- pay you received as a member of the National Guard of another state;
- payments you made under the Ready Reserve Mobilization Income Insurance Program; or
- pay for duty as an officer in the Public Health Service.

Must I file an Illinois return?

If you are an Illinois resident or part-year resident, you are required to file an Illinois return if

- you are required to file a federal return, or
- your Illinois base income was greater than your Illinois exemption allowance.

If you are a non-resident, you are not required to file an Illinois return unless you have earned enough taxable income from Illinois sources to have a tax liability.

How do I report my military pay?

If you are an Illinois resident, you must file Form IL-1040, Individual Income Tax Return.

On your Form IL-1040, Line 6, you may subtract military pay that is included in your adjusted gross income on your U.S. Form 1040, 1040A, 1040EZ, or your U.S. TeleFile Worksheet. Attach your military Form W-2 to your Form IL-1040.

If you are a part-year resident, you must file Form IL-1040 and Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax.

On your Form IL-1040, Line 6, you may subtract only military pay that is included in your adjusted gross income on your U.S. Form 1040, 1040A, 1040EZ, or your U.S. TeleFile Worksheet.

On Schedule NR, Step 3, Column B, you must include

- all income earned while a resident regardless of whether such income is earned from Illinois sources, and
- all income earned from Illinois sources while a nonresident.

On Schedule NR, Step 4, Column B, you may subtract military pay that is included as income in Step 3, Column B.

If you are a nonresident, you must file Form IL-1040 and Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax.

On your Form IL-1040, Line 6, you may subtract military pay that is included in your adjusted gross income on your U.S. Form 1040, 1040A, 1040EZ, or your U.S. TeleFile Worksheet.

On Schedule NR, Step 3, Column B, you must include all income earned from Illinois sources while you were a

nonresident. On Schedule NR, Step 4, Column B, you may subtract military pay that is included as income in Step 3, Column B.

Note: Residents, part-year residents, and nonresidents **do not** subtract military pay that is not included in your adjusted gross income on your U.S. Form 1040, 1040A, 1040EZ, or your U.S. TeleFile Worksheet.

What common mistakes should I avoid making?

- A common error occurs when Illinois residents subtract out-of-state income on Form IL-1040 under "other subtractions."

If you file as a resident, all income earned from either Illinois or non-Illinois sources is taxed by Illinois unless it is specifically exempt.

If you pay tax to other states, you may be allowed a tax credit on Schedule CR, Credit for Tax Paid to Other States. For more information, see Schedule CR.

- Nonresidents and part-year residents sometimes become confused when they complete Schedule NR. Please keep in mind that Illinois does not tax military pay earned by service persons.

When completing Schedule NR, Step 4, Column B, you may subtract military pay that is included as income in Step 3, Column B.

Questions?

If you have questions or need more information, please call or write us. Our telephone numbers and address are listed at the end of this publication.

For information or forms

Call us at 1 800 732-8866 or 217 782-3336.

Call our TDD (telecommunications device for the deaf) at 1 800 544-5304.

Write us at Illinois Department of Revenue, P.O. Box 19044, Springfield, IL 62794-9044.

Visit our Web site at www.ILtax.com.

Call "Illinois Tax Fax," our fax-on-demand service, at 217 785-3400.

Call our 24-hour Forms Order Line at 1 800 356-6302.



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